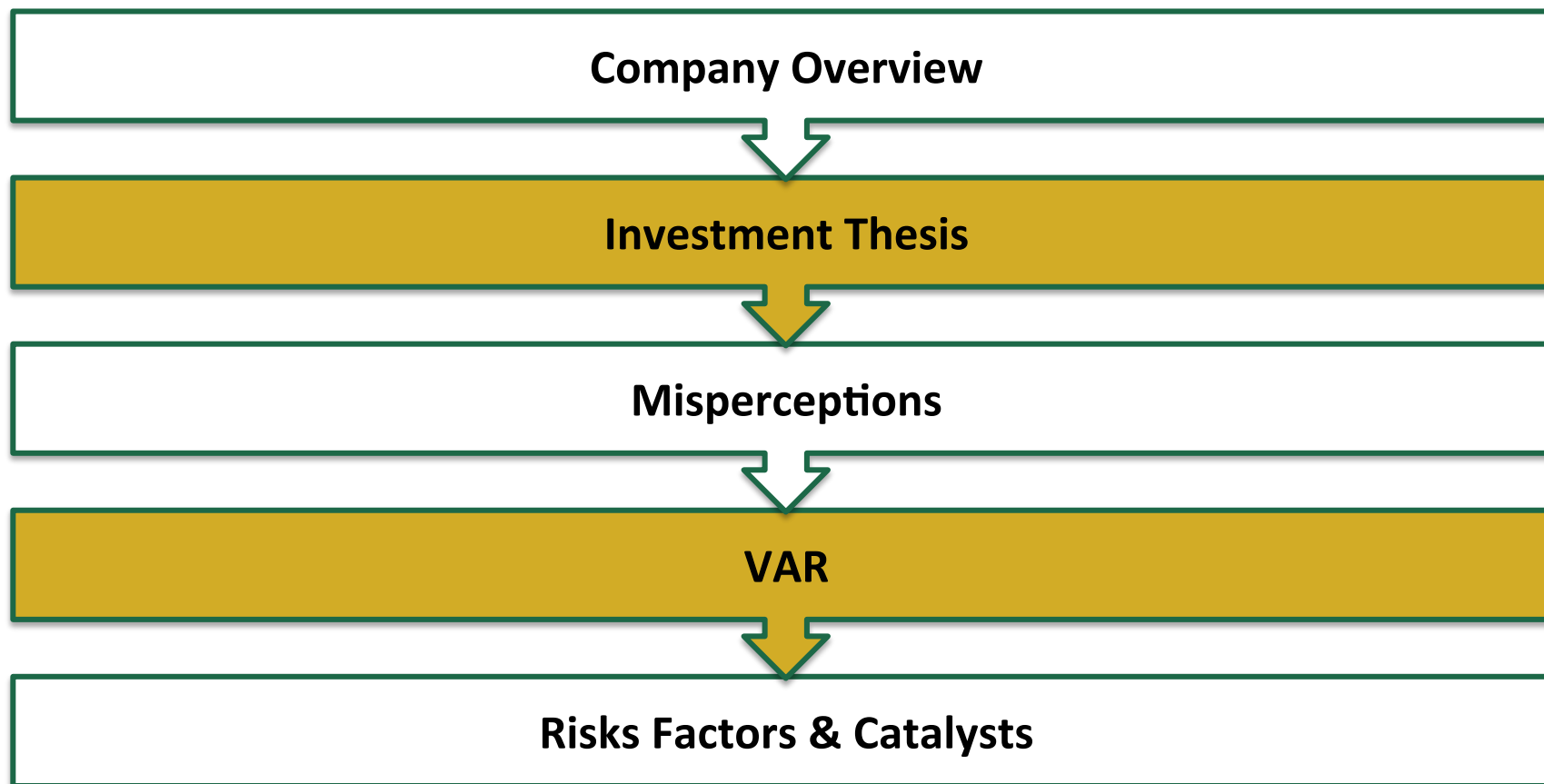




NASDAQ:FCFS

By: Haroon Masood
Date: September 29, 2011

Roadmap





Profile

Name: First Cash Financial Services

Year Founded: 1988

Headquarters: Arlington, Texas

Business:

- Specialty retail, pawn loans, payday loans, other consumer financial services

Industry: Specialty Consumer Finance

Store Count: 646 locations

Geographical Presence: United States and Mexico

Target Market: Unbanked and under-banked population



Stock Snapshot



Share Price: 42.39

Market Capitalization: 1.38B

EPS (ttm): 2.27

P/E (ttm): 19.71

52-Week Range: 26.28 – 52.18

Average Volume: 0.39M

Total Cash: 68.26M

Total Debt: 1.62M

Gross Margin (ttm): 58.18%

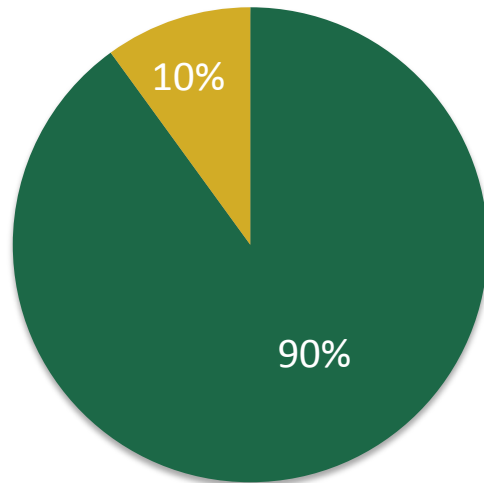
Operating Margin (ttm): 20.77%

Net Margin (ttm): 14.85%



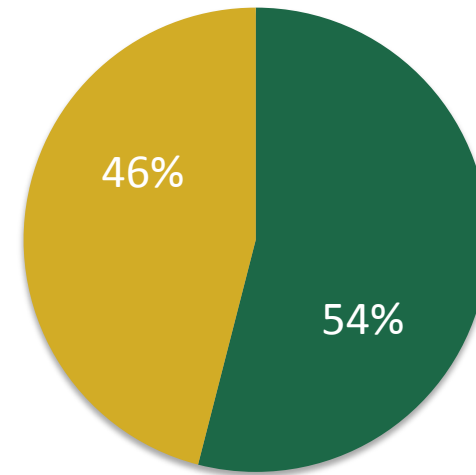
Business Overview

Revenue By Product (ttm)



■ Pawn Business ■ Payday Business

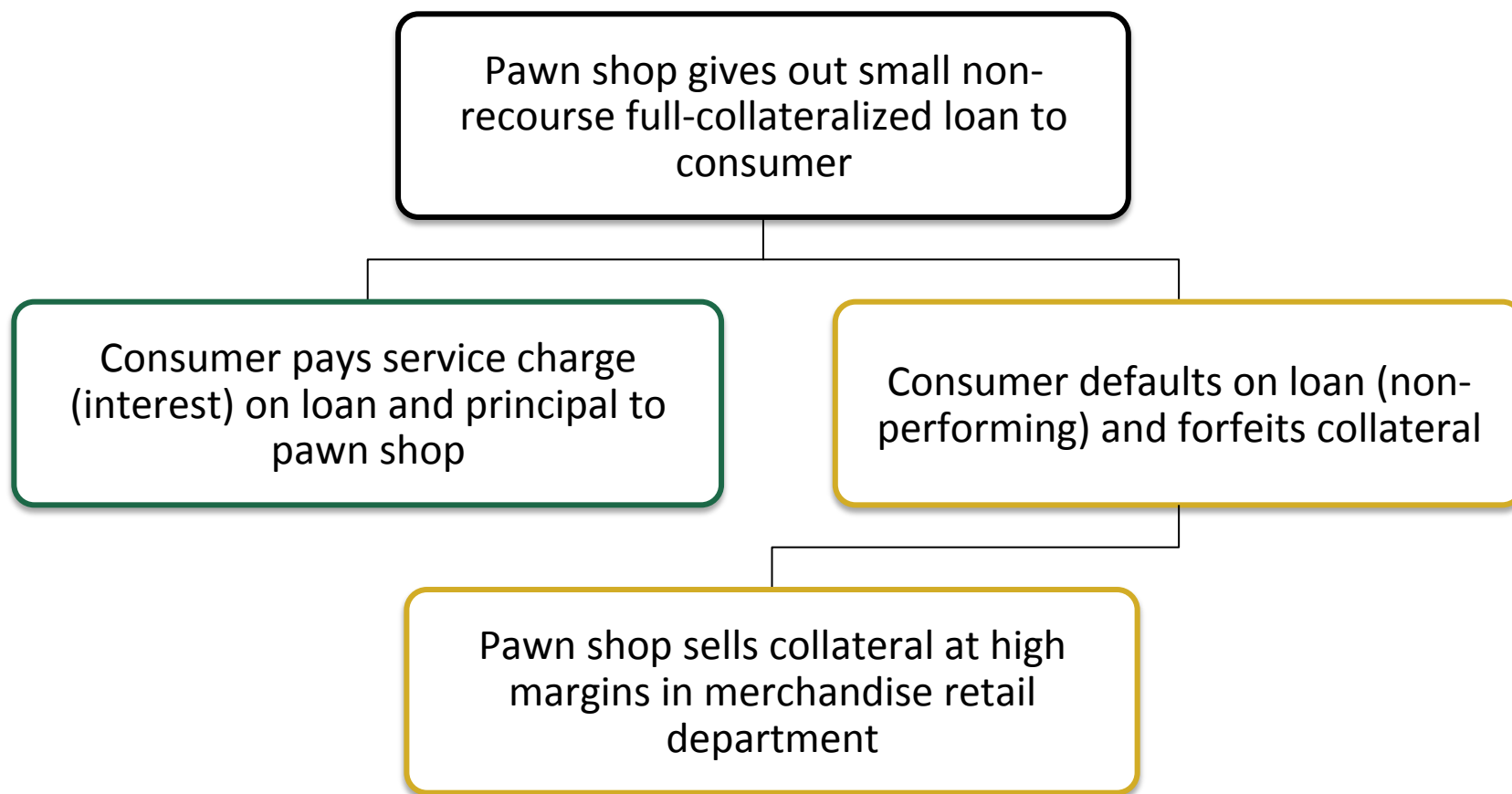
Revenue By Region (ttm)



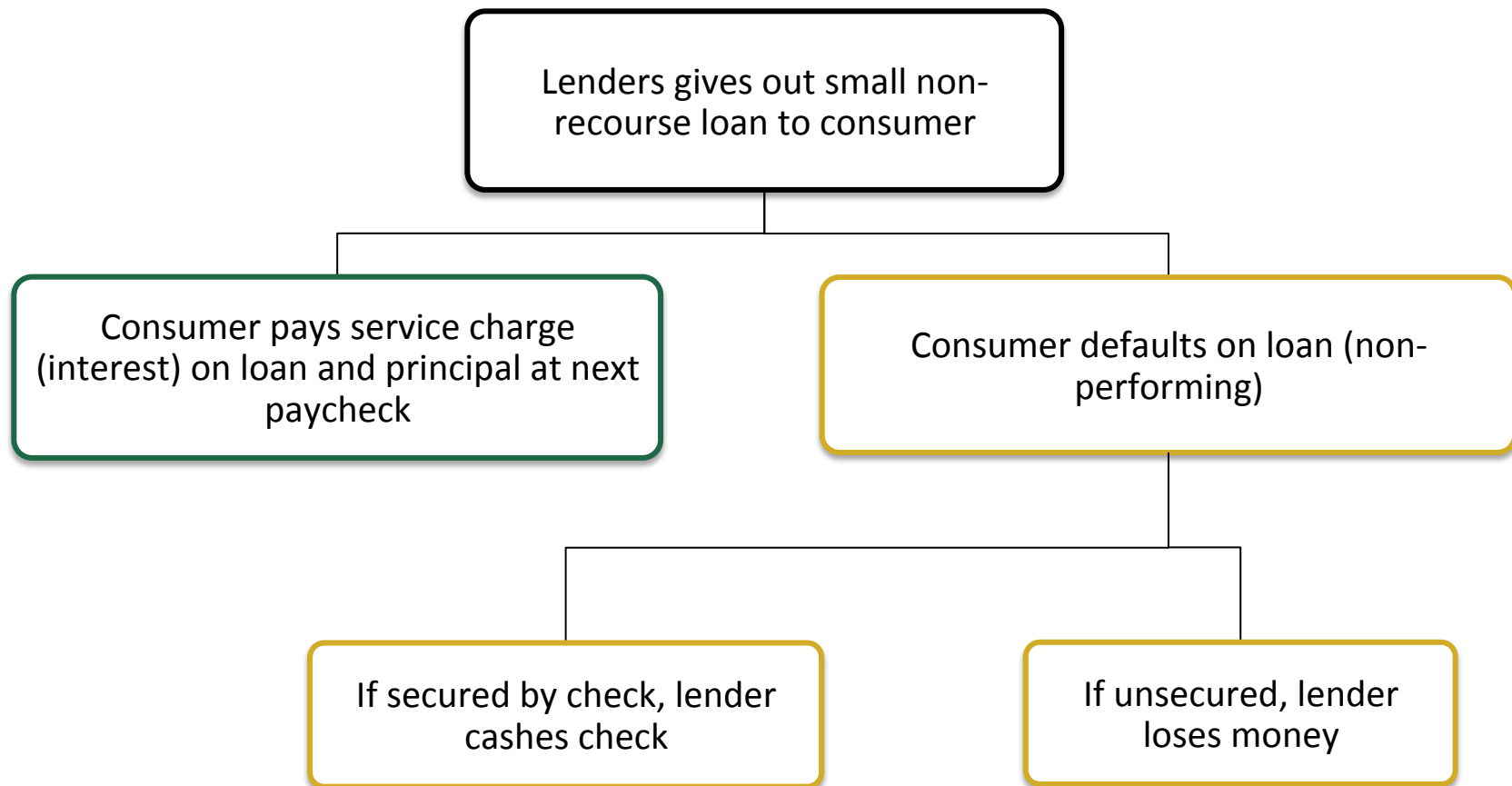
■ Mexico ■ U.S.



Pawn 101



Payday 101





FCFS Pawn Business

Mexico

Store Count: 390 stores (22 states)

Average Loan Size: \$75

United States

Store Count: 160 stores (8 states)

Average Loan Size: \$160

Duration: 30 – 60 days

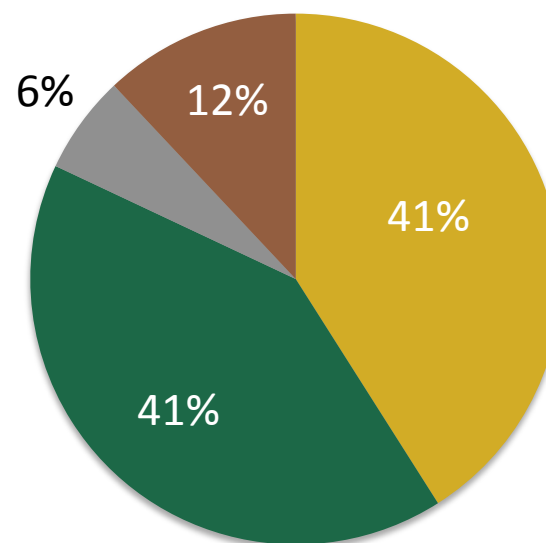
Performing Loans: 70%

Service Fee: 15-20%

Non-Performing Loans: 30%

Collateral Sale Margin: 40 – 45%

Inventory Composition



- Gold Jewelry
- Electronics
- Tools
- Other



FCFS Payday Business

Mexico

Store Count: 33 stores

Average Loan Size: \$82

United States

Store Count: 77 stores (Texas)

Average Loan Size: \$385

Duration: < 90 Day

Performing Loans: 75%

Service Charge: 10 – 15%

Secured Loans: U.S. Loans

Investment Thesis

Favorable Macroeconomic Dynamics

Winning Business Strategy

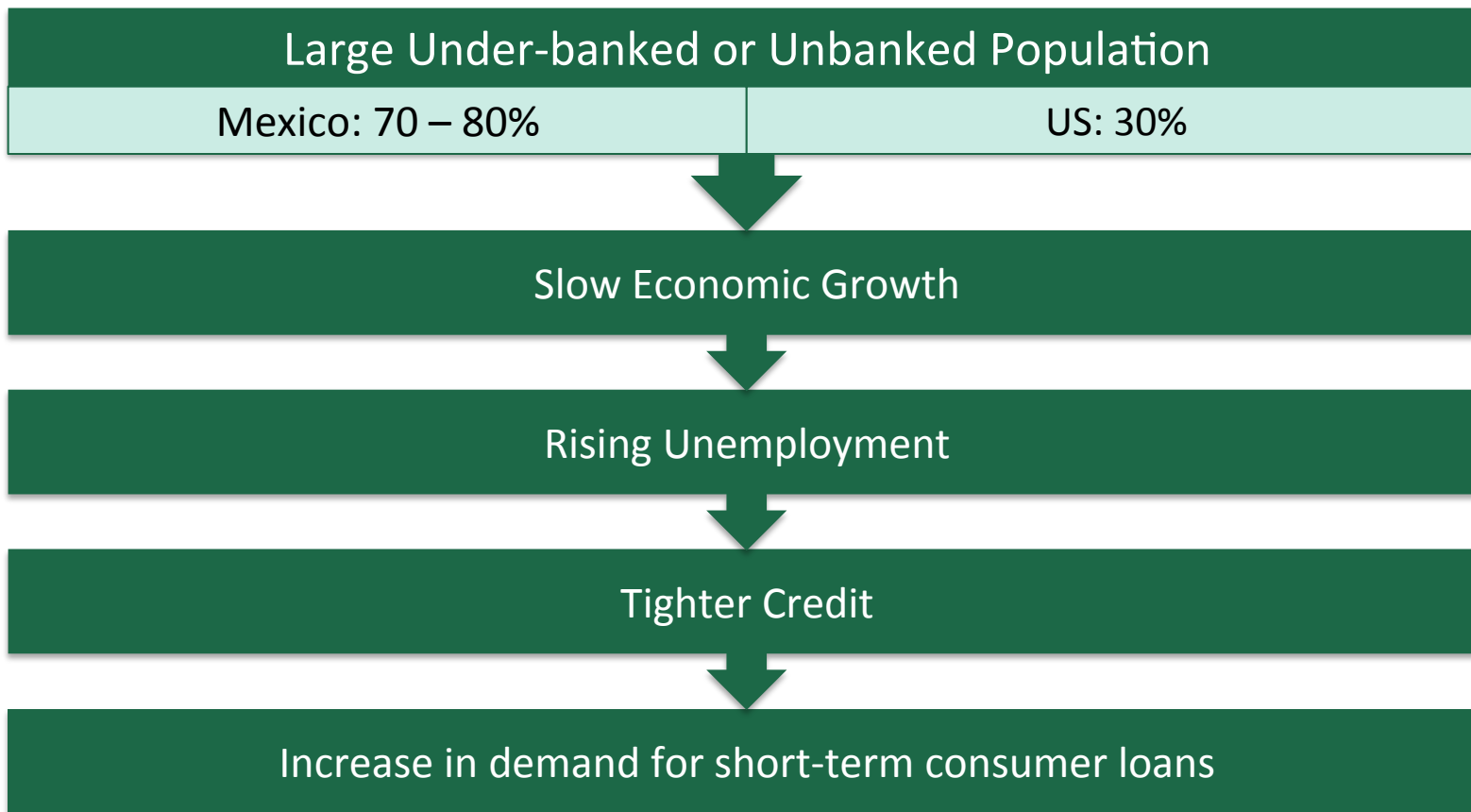
Organic Growth Potential

Mexico Competitive Advantage

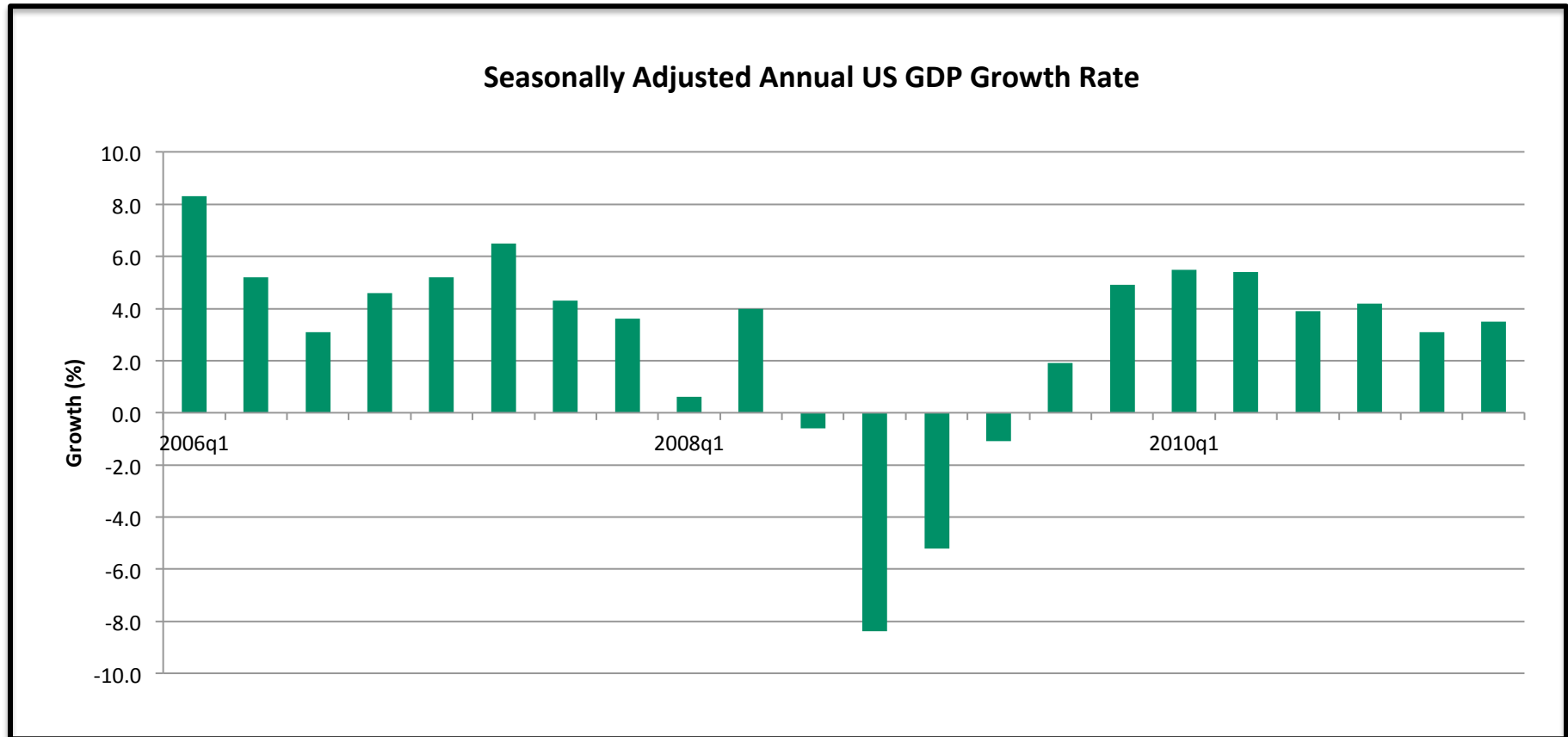
Strong Financial Position



Growing Pawn Market

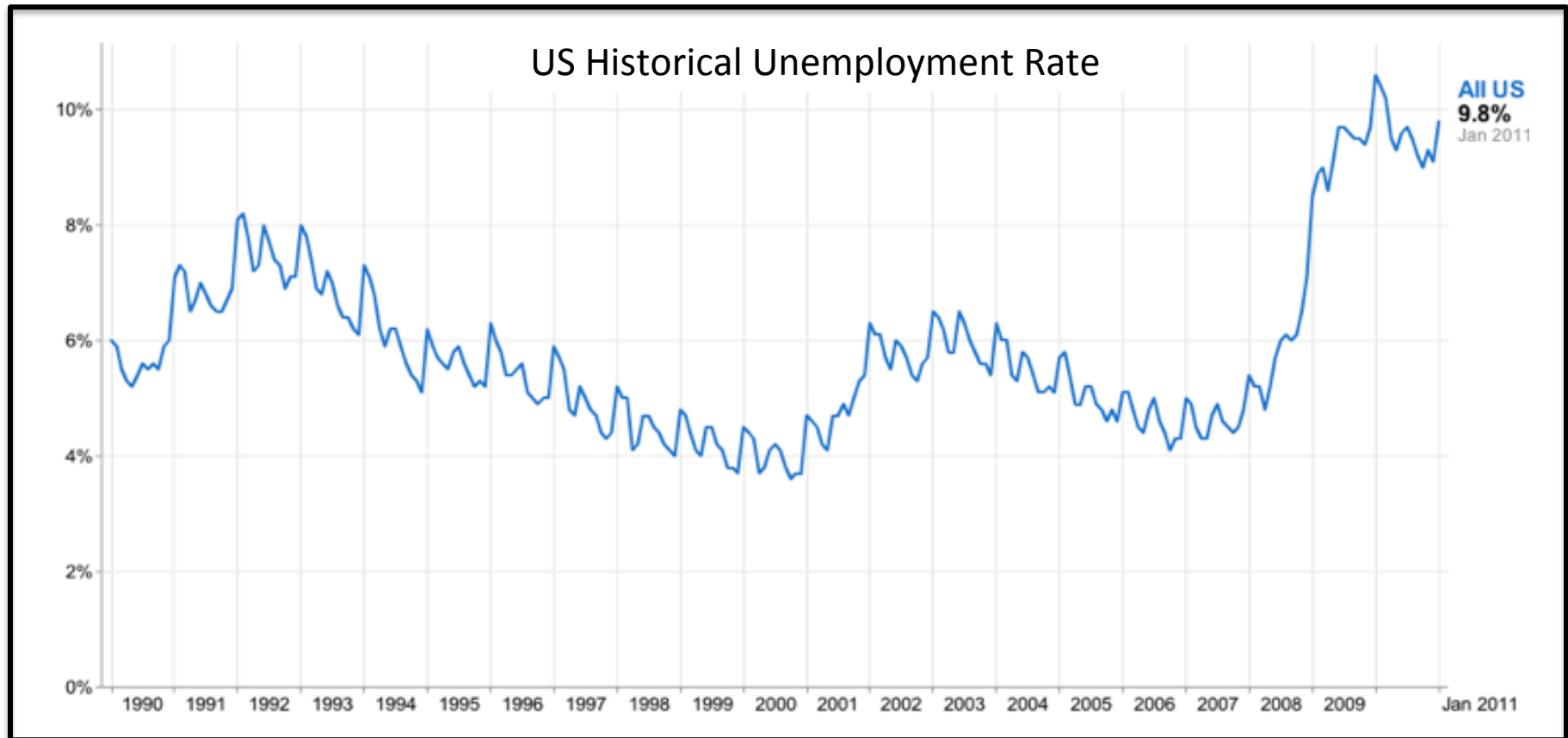


Slow Economic Growth



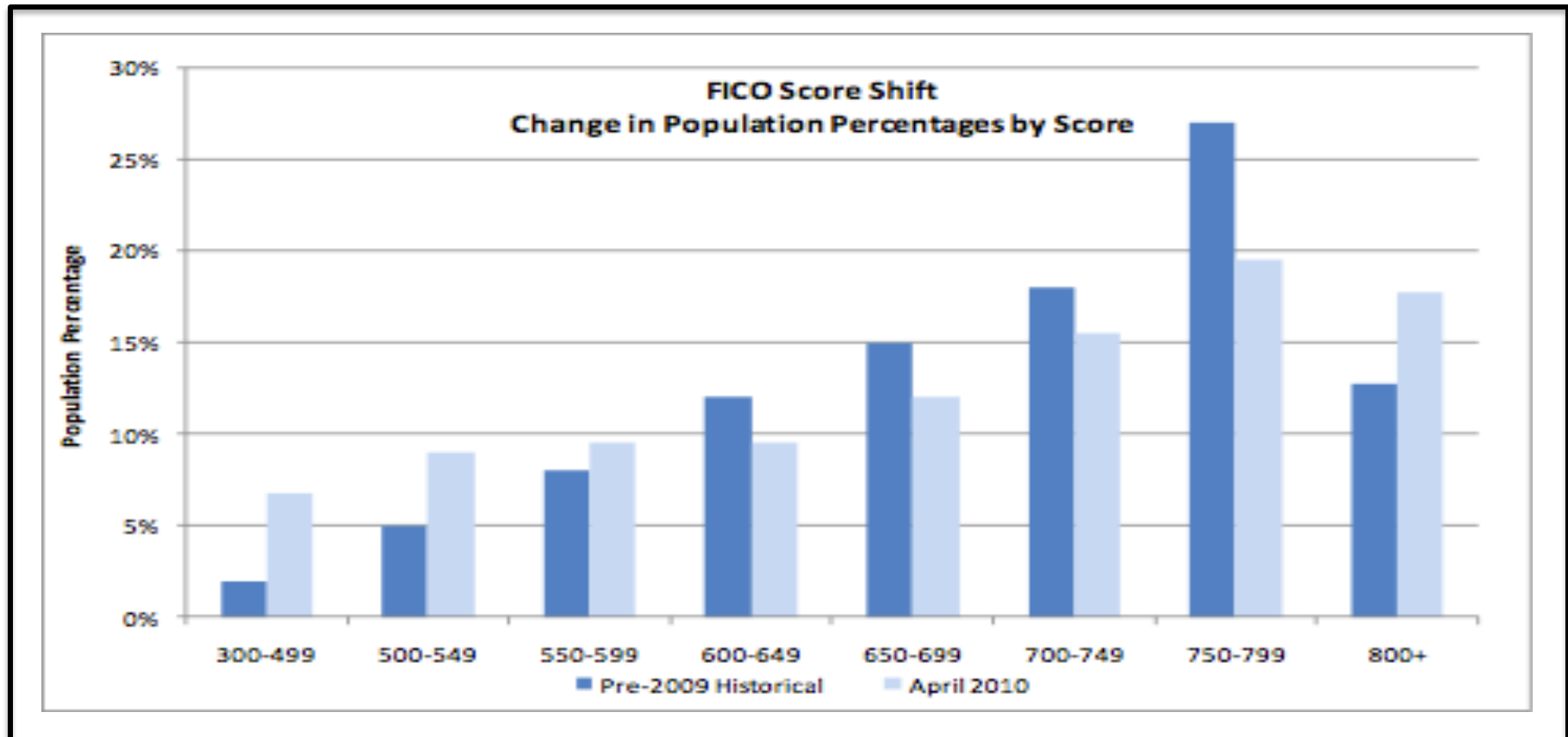
Source: US Bureau of Economic Analysis

Rising Unemployment



Source: US Bureau of Labor Statistics

Tighter Credit



Source: FBR Capital Markets & Co.

Thesis Points

Favorable Macroeconomic Dynamics

Winning Business Strategy

Mexico Competitive Advantage

Organic Growth Platform

Strong Financial Position

Focus On Pawn Lending



Focus on Mexico



Mexico Market:

Target Market (70 -80% of pop.)

5,000 stores (few large format operators)

Growth: Footprint doubling potential

Lower regulatory risk



US Market:

12,000 – 15,000 stores

Highly competitive and saturated (up to 90%)

Great regulatory risk (except Texas)



Thesis Points

Favorable Macroeconomic Dynamics

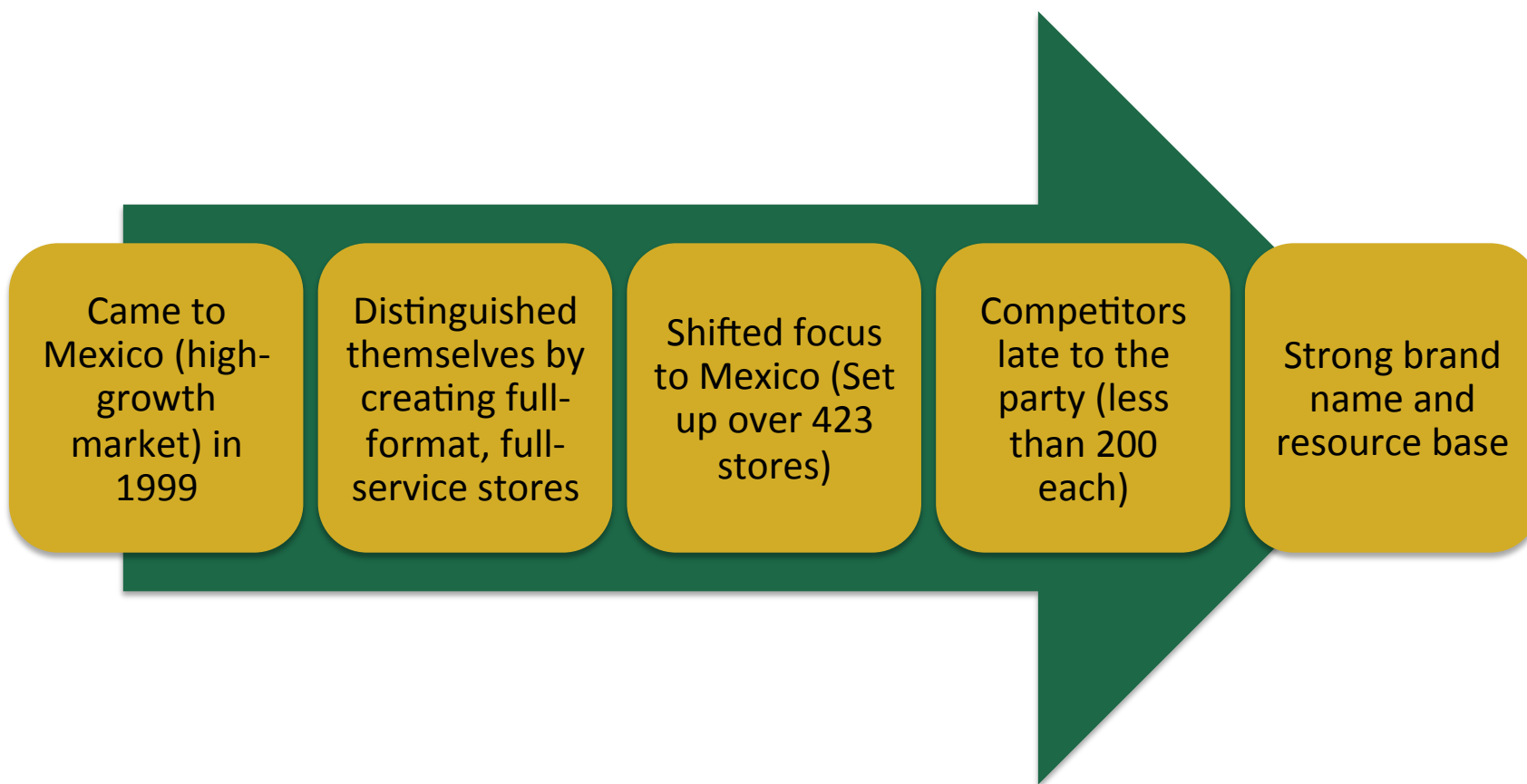
Winning Business Strategy

Mexico Competitive Advantage

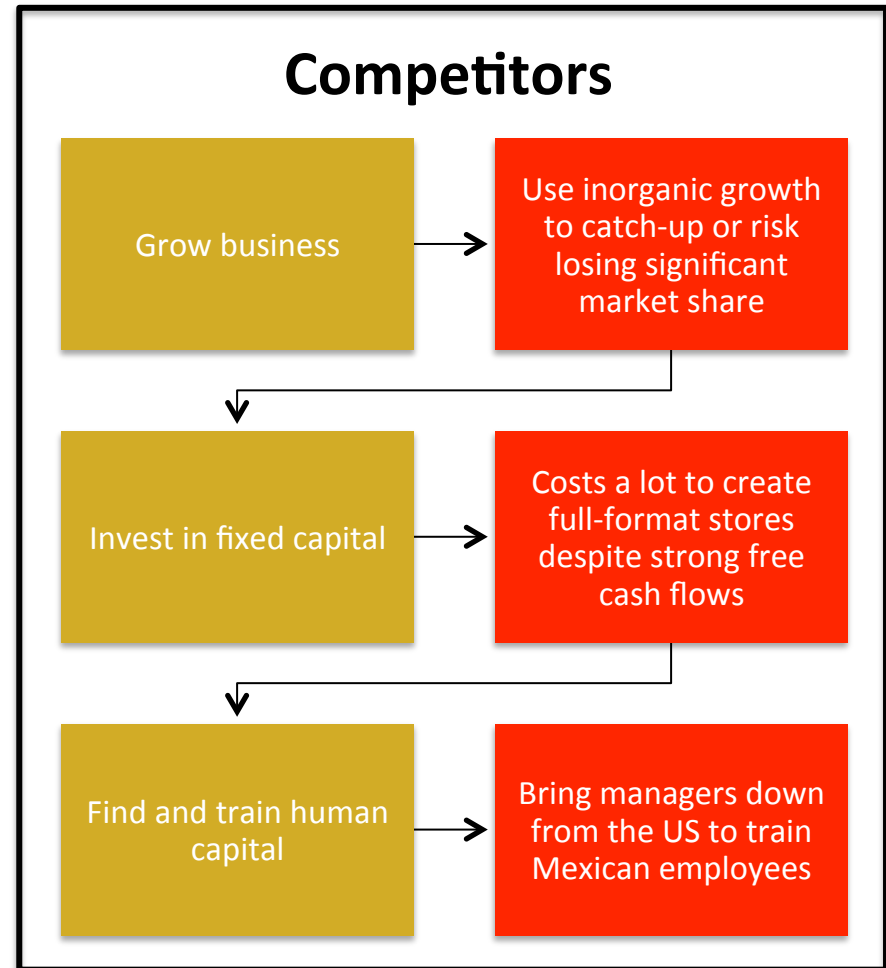
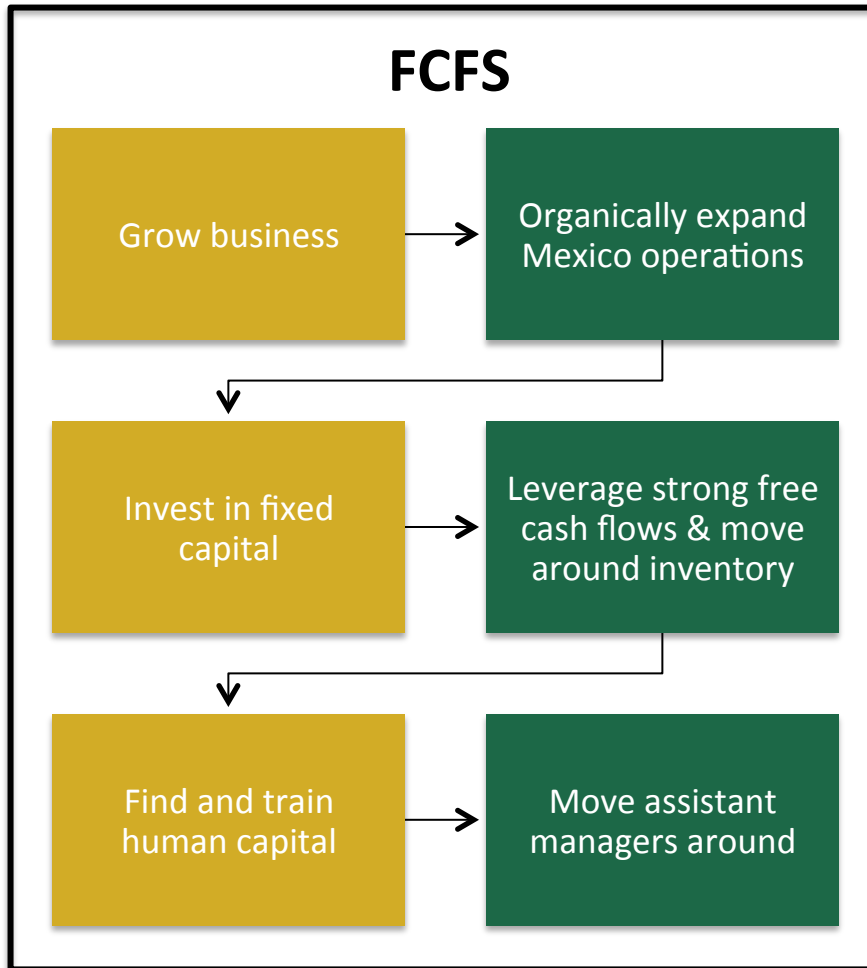
Organic Growth Platform

Strong Financial Position

First-Mover Advantage



Easier Expansion



Competitors

Cash America

Growth Impediments:

- Failed penetration of Mexican market due to jewelry-only pawn stores → significant restructuring processes taking place
- Divested online, high-growth business
- Greater exposure to gold price risk: 15-20% more gold in inventories
- Greater exposure to regulatory risk: more payday lending

EZCorp

Growth Impediments:

- Late to everything
- Significant upcoming expenses and risk with upcoming development of online business
- Rising bad-debt expense due to growing signature loan business
- Greater Exposure to gold price risk: 20 – 25% more gold in inventories
- Greater exposure to regulatory risk: more payday lending

Thesis Points

Favorable Macroeconomic Dynamics

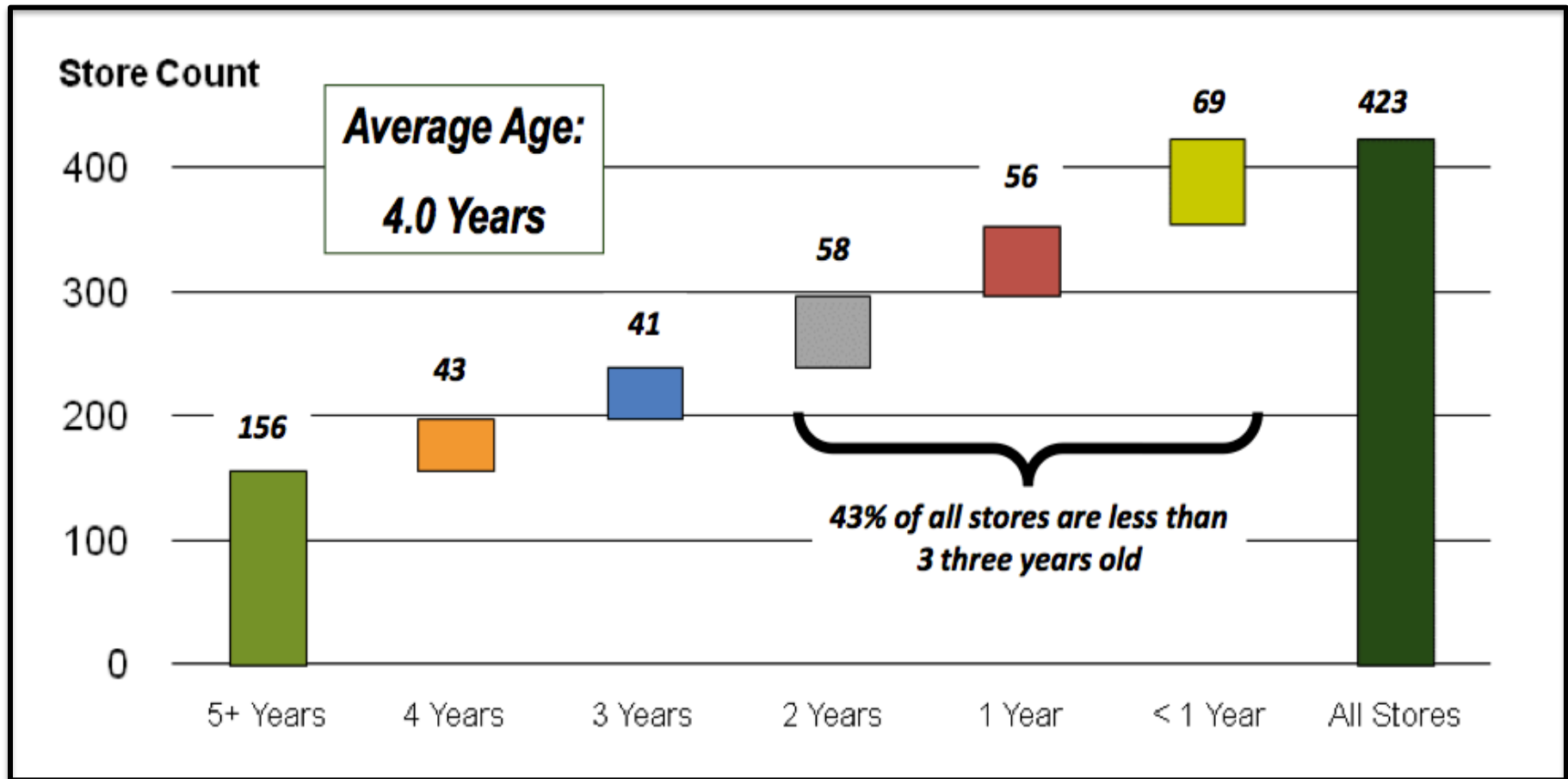
Winning Business Strategy

Mexico Competitive Advantage

Organic Growth Platform

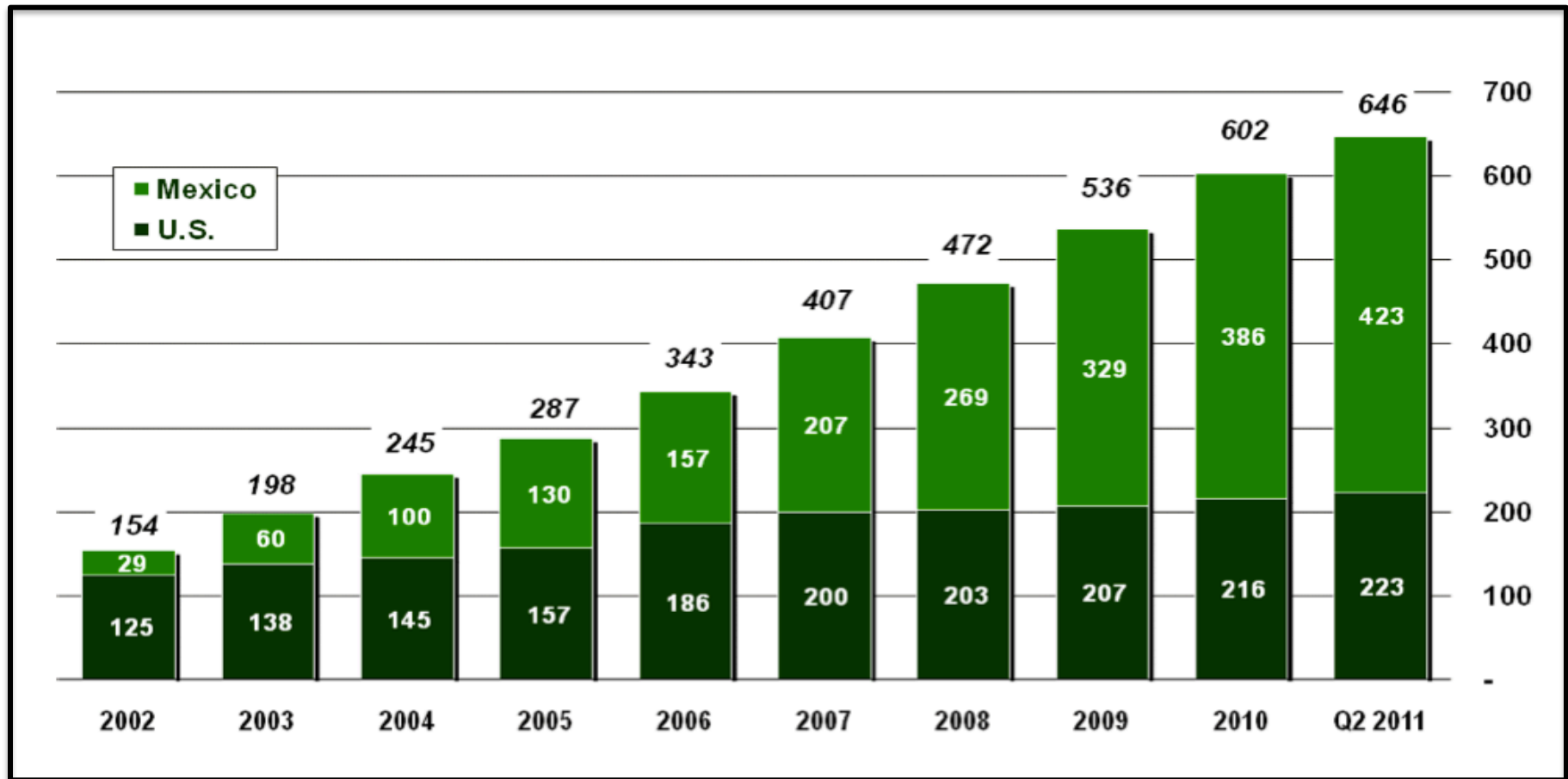
Strong Financial Position

Same-Store Growth



Source: FCFS IR Presentation

Historical Growth



Source: FCFS IR Presentation

Organic Growth Potential

17% Same-store growth, 26% in Mexico = highest same-store growth amongst competitors

Established 70 stores in 2010 → on track to meet 80 store target in 2011

Aims to double store base in Mexico in 5 – 6 years

Thesis Points

Favorable Macroeconomic Dynamics

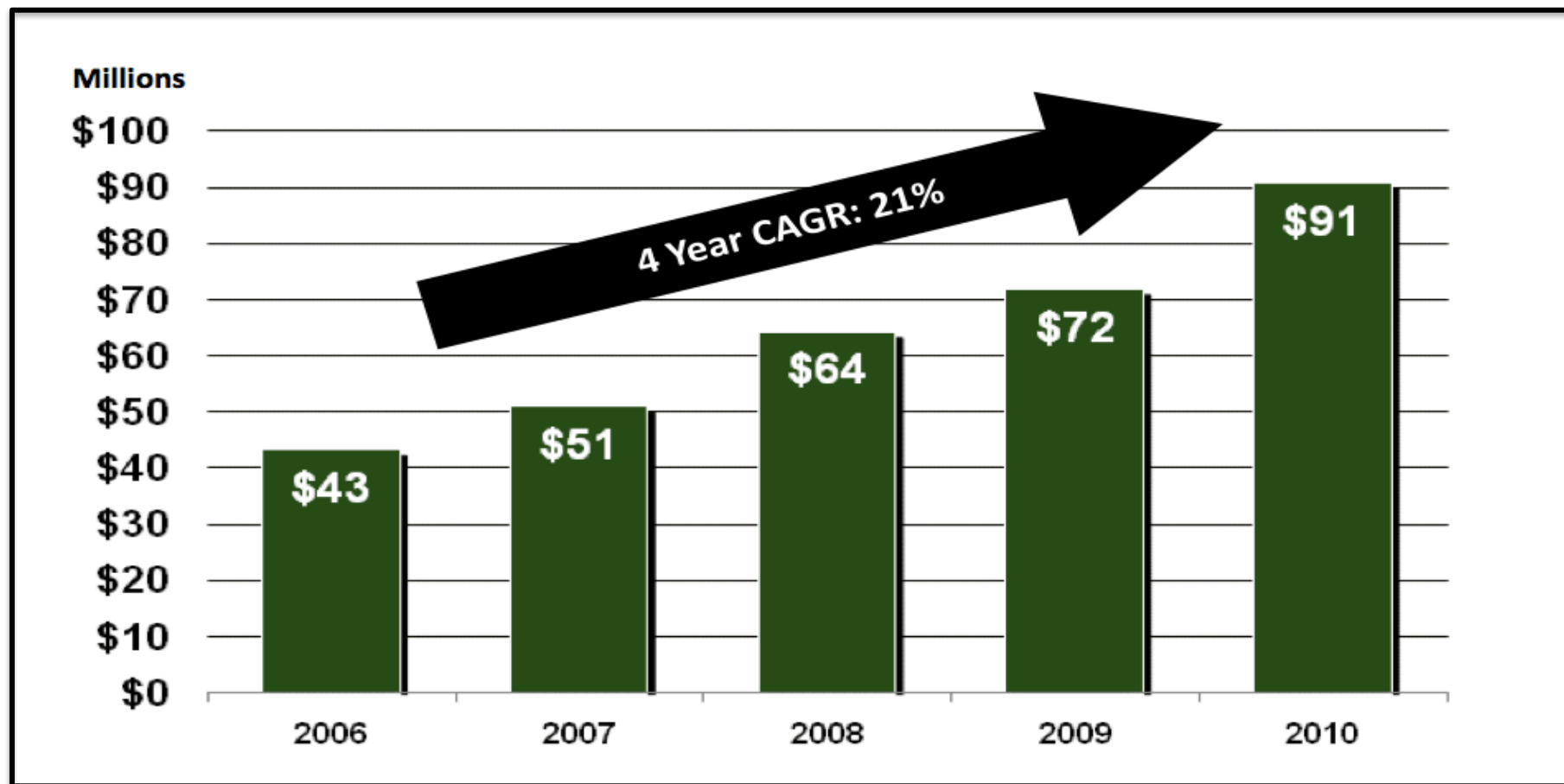
Winning Business Strategy

Mexico Competitive Advantage

Organic Growth Platform

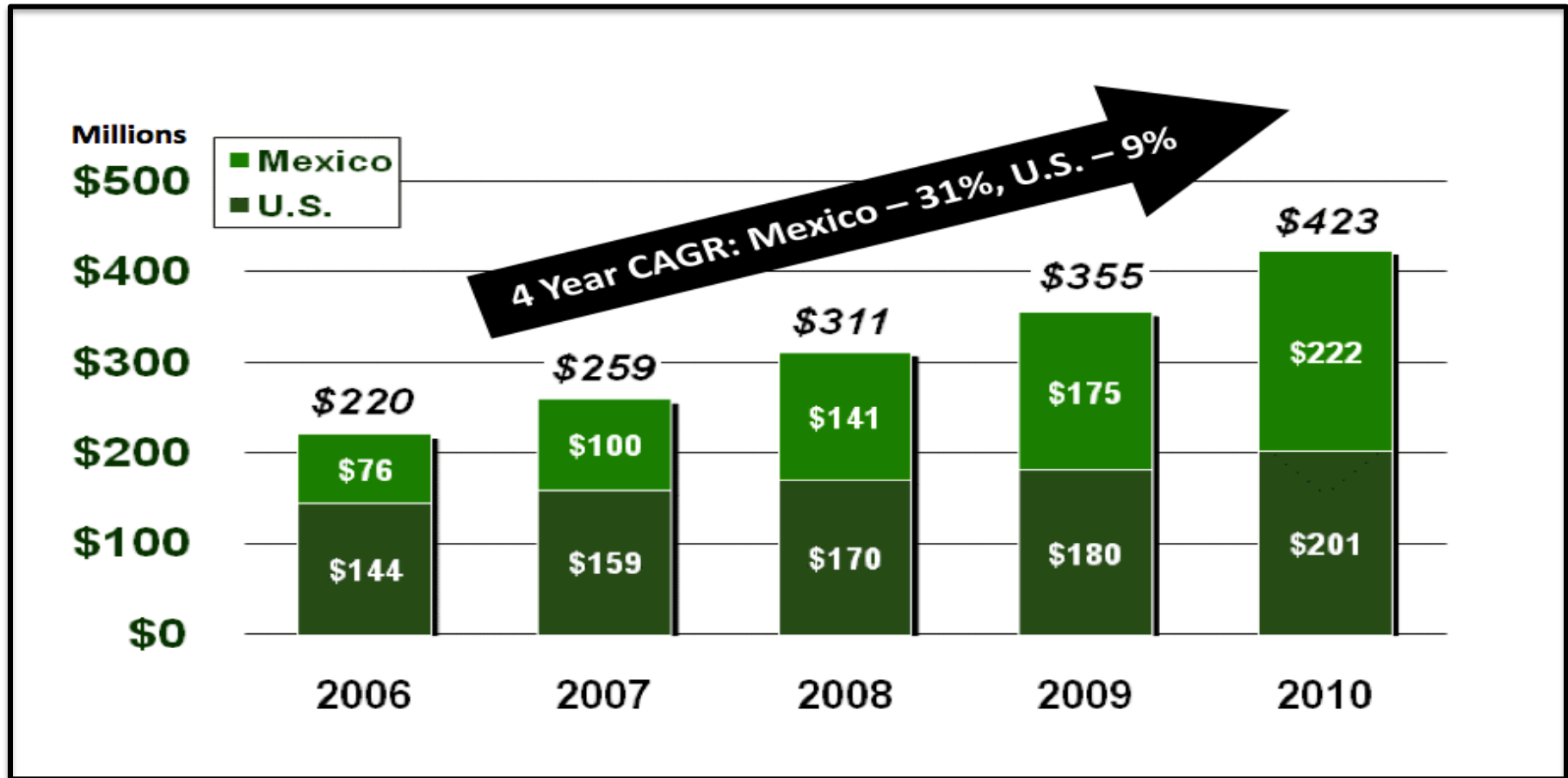
Strong Financial Position

Strong EBITDA Growth



Source: FCFS IR Presentation

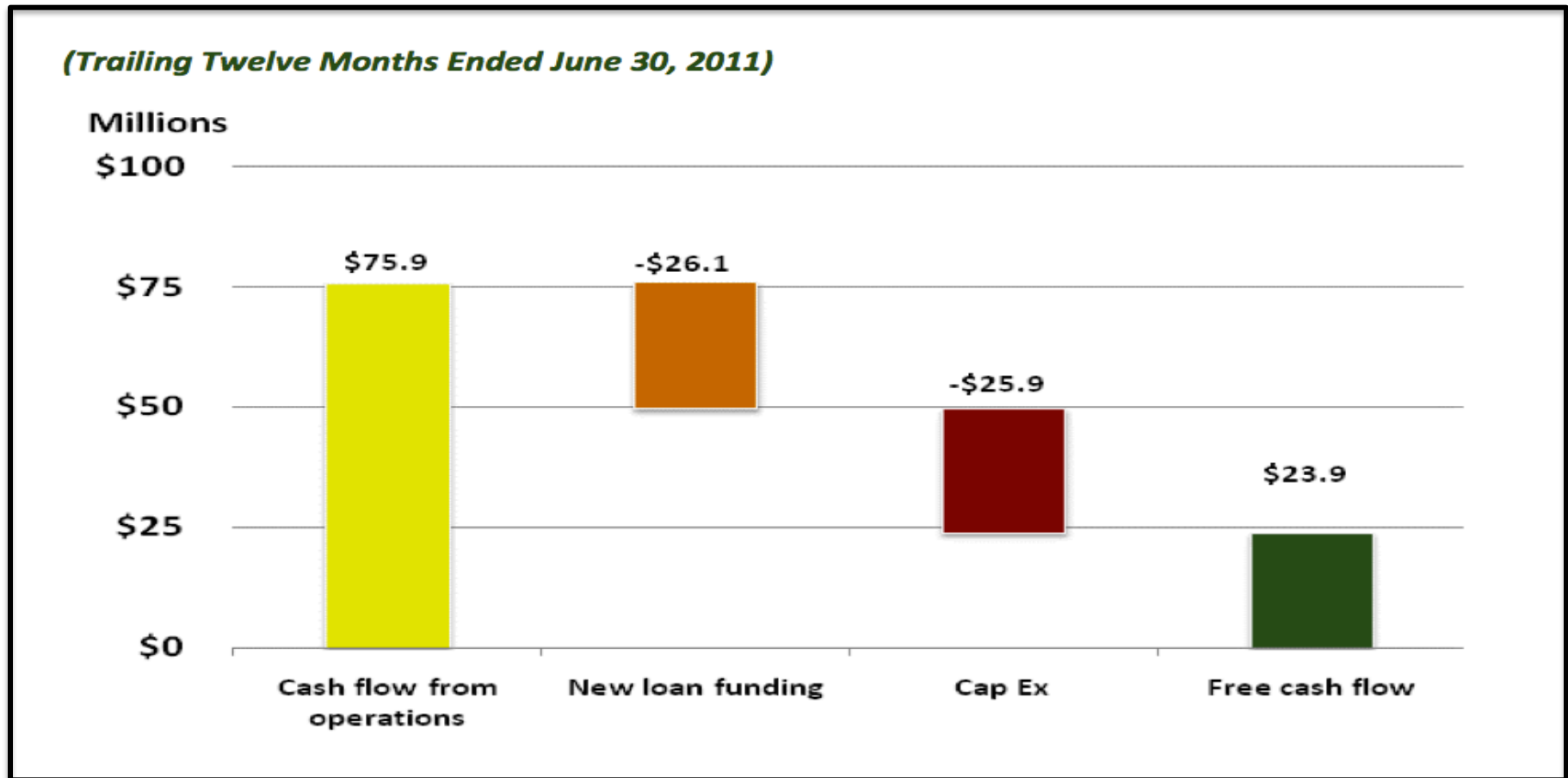
Strong Revenue Growth



Source: FCFS IR Presentation

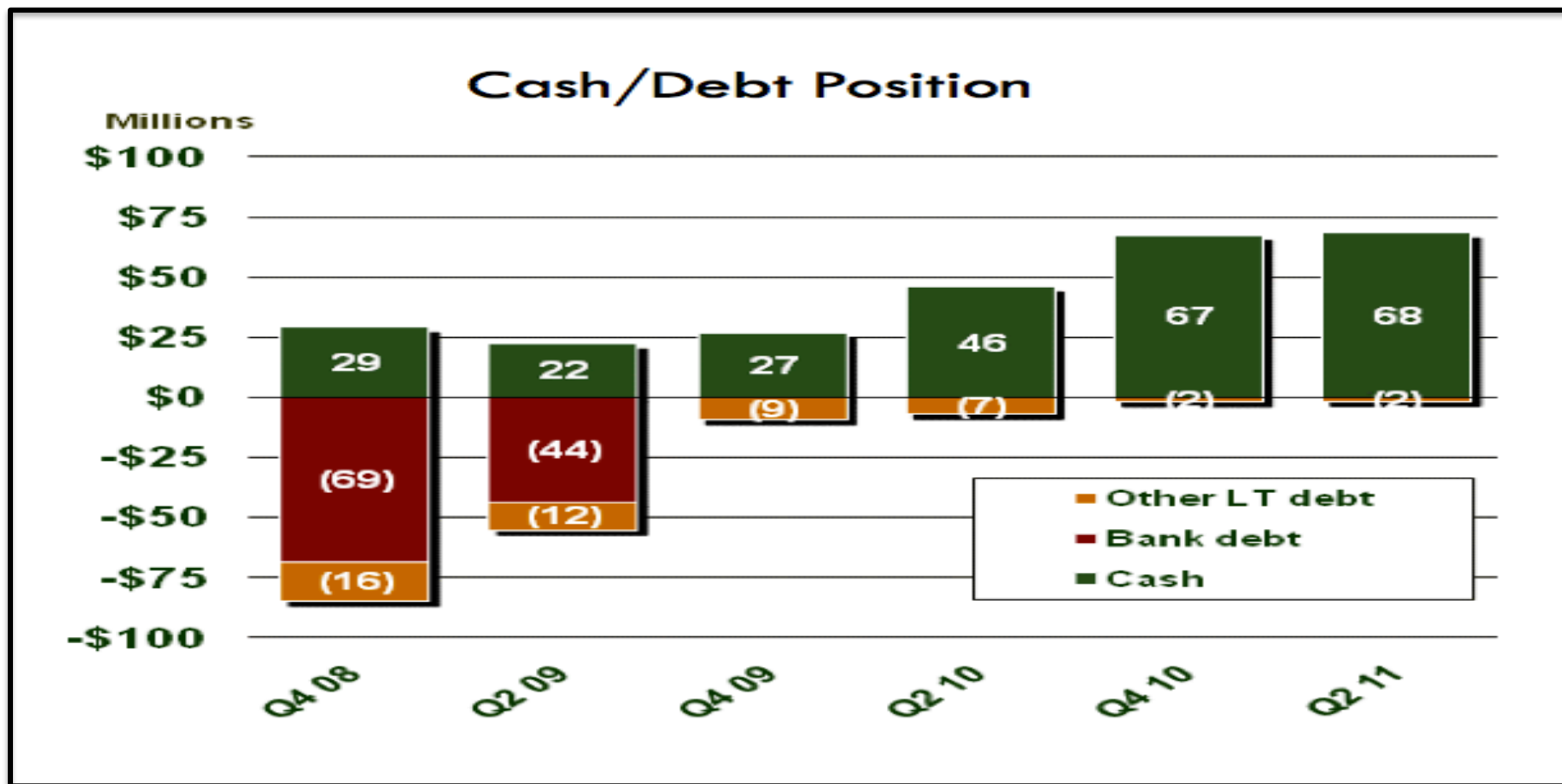


Strong Cash Flows



Source: FCFS IR Presentation

Low Credit Risk



Source: FCFS IR Presentation

Misperceptions

Concerns over gold prices

Cannot sustain growth

Overvalued



VAR

Survey

5 out of 5 analysts covering the industry, including those who were underweight on FCFS said that FCFS had the strongest business in the industry

Risk Factors

Dramatic fluctuations in gold prices

Significant downturn in global economy

Sharp changes in regulatory framework

Catalysts

Future stock buy-backs

Greater coverage of pawn-shops

Sharp rises in gold prices

Review

Favorable Macroeconomic Dynamics

Winning Business Strategy

Mexico Competitive Advantage

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Strong Financial Position